

Message Text

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ACTION AGR-08

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 AID-05 IGA-01 L-02

SP-02 CIAE-00 INR-07 NSAE-00 RSC-01 TRSE-00 OMB-01

FRB-03 DODE-00 CIEP-01 IO-10 STR-01 /056 W

----- 096200

R 301340Z JAN 75

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 5512

INFO AMEMBASSY LIMA

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LIMA FOR FERREE

E.O. 11652:N/A

TAGS: EAGR, EAID, BL

SUBJECT: PL 480, TITLE I WHEAT -- MILLING IN PERU

REF: A. STATE 010154 B. LA PAZ 8271 C. LA PAZ 6444

D. LIMA 9765

1. EMBASSY HAS ONCE AGAIN EXAMINED ARGUMENTS FOR DEMAND-
ING THAT BOLIVIAN GOVT MAKE LARGE PAYMENT OF FOREIGN
EXCHANGE TO U.S. TREASURY AND BELIEVES THAT WE HAVE STILL
NOT ESTABLISHED CASE FOR PAYMENT OF FX AMOUNT MENTIONED
IN REFTEL A.

2. INSTRUCTIONS REFTEL A THAT EMBASSY REQUEST PAYMENT
OF US\$ 209,492.58 PLUS INTEREST WAS CALCULATED ON BASIS
THAT ONE-FOURTH OF TOTAL QUANTITY MILLED IN AREQUIPA
RESULTED AS BRAN BY-PRODUCT WHICH WAS SOLD IN PERU.
BOLIVIANS OF COURSE WILL LOUDLY OBJECT IF WE ATTEMPT TO
COLLECT ONE FOURTH OF TOTAL VALUE OF QUANTITY MILLED
SINCE BY-PRODUCTS LEAST VALUABLE PERCENTAGE OF ORIGINALO
WHEAT. AS STRESSED REFTEL B, IT WAS LOW VALUE BY WEIGHT
WHICH CAUSED BOLIVIANS TO BELIEVE IT NOT RPT NOT

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ECONOMICAL SACK AND SHIP BY-PRODUCTS TO LA PAZ. (EMBASSY

RECOGNIZES IT WAS REFTEL C THAT INITIALLY INTRODUCED CONFUSION BETWEEN ONE-FOURTH VALUE AND ONE-FOURTH QUANTITY MILLED.)

3. IF WE MUST INSIST ON MAKING THIS COLLECTION, WE SHOULD ATTEMPT TO ESTABLISH VALUE OF BY-PRODUCT. AG ATTACHE FERREE (REFTEL D) FOUND THAT BY-PRODUCT WAS SOLD IN AREQUIPA AT ONLY SOLES 1.20 PER KILO OR, AS WE CALCULATE, GOB RECEIVED ONLY US \$32,070 FOR VALUE OF BY-PRODUCTS AGAINST MILLING CHARGES. WE HAVE ATTEMPTED OTHER CALCULATIONS BASED ON 1973 GOB MINISTRY IND/COM STUDY OF COSTS OF FLOUR PRODUCED FROM PL 480 WHEAT. STUDY INDICATES THAT VALUE OF BY-PRODUCTS NORMALLY REPRESENTS SIX PERCENT OF VALUE OF WHEAT UPON ARRIVAL AT MILL IN LA PAZ. SIX PERCENT OF VALUE OF U.S. FINANCED WHEAT MILLED IN AREQUIPA EQUALS US \$50,278.21. WE MIGHT MAKE AN ARGUMENT FOR COLLECTION OF EITHER OF ABOVE AMOUNTS.

4. EMBASSY WILL HAVE TO REQUEST PAYMENT THROUGH NOTE TO FOREIGN OFFICE AND USE LANGUAGE OF ORIGINAL AGREEMENT (ART. III A.2) TO JUSTIFY REQUEST. DEPT.'S INSTRUCTIONS USE OTHER WORDING, STATING "VIOLATION CONSISTS OF SALE IN PERU OF WHEAT MILLING BY-PRODUCTS FROM PL 480 TITLE I WHEAT MILLED EN ROUTE TO BOLIVIA." BECAUSE DEPT. ACCEPTED REASONING REFTEL C, WE HAVE ASSUMED THAT DEPT. DOES NOT CONSIDER WHEAT WAS "DIVERTED" NOR "TRANSHIPPED." IN A SENSE WHEAT WAS NOT RESOLD BUT ITS VALUE WAS USED FOR THE BOLIVIAN DOMESTIC PURPOSE OF SECURING MILLING INTO FLOUR FOR MORE RAPID SHIPMENT TO MEET EMERGENCY NEEDS IN BOLIVIA.

5. EMBASSY BELIEVES THAT BOLIVIAN GOVT. IS LIKELY TO OBJECT TO OUR DEMAND FOR EVEN REDUCED FX AMOUNT CALCULATED PARA 2 ABOVE. SINCE VALUE EVEN OF BY-PRODUCTS DID IN FACT REBOUND TO BOLIVIA, EMBASSY HAS SUGGESTED (REFTEL B) THAT MATTER BE DROPPED. IF NONETHELESS WE ARE GOING TO MAKE REQUEST FOR PAYMENT, WE SHOULD USE CAREFUL ARGUMENTATION BASED ON BILATERAL AGREEMENT AND EMBASSY WOULD APPRECIATE RECEIVING SUGGESTED LANGUAGE FOR NOTE.
STEDMAN

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